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ABSTRACT

This document contains a summary of the statement of Clarence C. Crawford, Associate Director, Education and Employment Issues, Human Resources Division of the U.S. General Accounting Office. The Job Training Partnership Act (JTPA) provides on-the-job training (OJT). Under OJT arrangements, employers provide training in a particular occupation for a specified length of time. However, a number of problems have been identified. Local service delivery areas (SDAs) are wasting JTPA funds by developing questionable OJT contracts. Many OJT contracts for lower skill occupations are for excessive periods of time. This abuse of OJT has been addressed by JTPA amendments. Both the U.S. House of Representatives and the U.S. Senate have passed bills that address questionable OJT practices. Both bills limit the length of time OJT can be provided for a particular occupation and suggest that recognized reference materials and the participant's work experience be considered in determining the length of training. Program management problems also exist. Improper spending of JTPA funds on program administration leaves the program vulnerable to waste, abuse, and mismanagement. Finally, there is a lack of federal and state oversight. State agencies, which have primary responsibility for overseeing JTPA implementation, often failed to detect excessive or questionable OJT contracts as well as other inadequate procurement practices. The U.S. Department of Labor needs to continue monitoring program implementation. (NLA)

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Testimony

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Committee on Government Operations
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THE JOB TRAINING PARTNERSHIP ACT

Abuse of On-The-Job Training and Other Contracting is an Ongoing Problem

Statement of Clarence C. Crawford, Associate Director
Education and Employment Issues
Human Resources Division

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SUMMARY OF TESTIMONY BY CLARENCE C. CRAWFORD
JOB TRAINING PARTNERSHIP ACT
ABUSE OF ON-THE-JOB TRAINING
AND OTHER CONTRACTING PRACTICES

The Job Training Partnership Act (JTPA) provides job training and employment seeking skills to economically disadvantaged individuals. One of the major types of training provided by JTPA is on-the-job training (OJT). Under OJT arrangements, employers provide training in a particular occupation for a specified length of time. Normally, the employer is reimbursed for half of the participant's wages in recognition of the expense associated with training. GAO's work over the past 5 years has shown that local service delivery areas (SDAs) are wasting JTPA funds by developing questionable OJT contracts.

Abuse of On-The-Job Training. Many OJT contracts for lower skill occupations, such as car wash attendant, hotel maid, and fast-food worker, are for excessive periods of time. For example, one SDA developed a 6-month OJT contract to train a car wash attendant. Nearly three-fourths of the lower skill contracts GAO reviewed in 11 SDAs exceeded the Department of Labor's suggested training time for these jobs. In addition, about one-fourth of a sample of OJT participants for whom work histories were available at 9 SDAs had at least 1 year of experience in the job for which they were being trained.

JTPA Amendments Address OJT Abuse. Both the House and Senate have passed bills that address questionable OJT practices. Both bills limit the length of time OJT could be provided for a particular occupation and suggest that recognized reference materials, including Labor's suggested training times, and the participant's work experience be considered in determining the length of training.

Other Program Management Problems. Improper spending of JTPA funds on program administration reduces the funds available for training. In addition, inadequate contract administration leaves the program vulnerable to waste, abuse, and mismanagement. For example, GAO found that SDAs made improper payments to training vendors, allowed payments to vendors who failed to meet performance requirements, and reimbursed vendors for unsupported expenditures.

Lack of Federal and State Oversight. State agencies, which have the primary responsibility for overseeing JTPA implementation, often failed to detect excessive or questionable OJT contracts as well as other inadequate procurement practices. Until recently, Labor's oversight had not been directed at identifying improper or questionable procurement practices. Labor's programwide series of special reviews are a step in the right direction to strengthening JTPA program monitoring and oversight. However, Labor needs to continue to actively monitor program implementation.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to share with you the results of our work over the past 5 years relating to mismanagement and abusive practices within the Job Training Partnership Act (JTPA) program. My testimony will focus primarily on the abuse of on-the-job training (OJT) funds within the program. I will also touch briefly on other problems we have noted with this program, namely the failure to accurately report program costs and shortcomings in contracting procedures. These practices indicate the need for better federal and state oversight to ensure that limited JTPA funds are used only for authorized training services, and that waste, abuse, and mismanagement are avoided.

BACKGROUND

JTPA provides job training and employment seeking skills to economically disadvantaged adults and youth. Although the Department of Labor has overall responsibility for the program, JTPA is highly decentralized, with most participants receiving job training services through programs administered by the 56 states and territories and over 600 local programs called service delivery areas (SDAs). JTPA has been relatively successful in placing participants in jobs. Beginning with the first full year of program operations (1984), it has placed an average of over 60 percent of its participants in jobs each year.

SDAs provide employment and training services either directly or through agreements or contracts with other service providers. JTPA services include occupational training and basic education, normally provided in a classroom setting; OJT and work experience[1] at an actual job location; and job search assistance.

OJT gives JTPA participants an opportunity to earn a wage while receiving direct, "hands-on" experience in a specific occupation, at an actual work site. Under OJT arrangements, employers provide JTPA participants with training in a particular occupation for a specified length of time. Normally, the employer is reimbursed for half of the participant's wages in recognition of the expense associated with training. On average, over 22 percent of JTPA participants are enrolled in OJT each year. In terms of placements, OJT has been highly successful, with an average of nearly 80 percent of participants being placed in jobs.

ABUSIVE PRACTICES FOUND IN ON-THE-JOB TRAINING

Our work has shown that SDAs were wasting scarce JTPA resources by entering into lower skill OJT contracts that exceed the length of training suggested by Labor and

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[1]A training activity consisting of short-term or part-time work designed to develop good work habits and basic work skills.

by entering into other OJT arrangements with employers that appeared improper. Such practices, in effect, subsidize portions of an employer's salary costs and training expenses and provide training of questionable value. Because the level of JTPA funding allows the program to serve only a small fraction of those who are eligible, wasting scarce resources further limits access to the program by those eligible to participate.

Excessive Lengths of OJT

In our recent JTPA work, we found abuses of OJT contracts within the program and believe that similar abuses may still be occurring. In September 1988 testimony before the House Education and Labor Committee[2] and in our subsequent report,[3] we noted that many OJT contracts for lower skill jobs, such as dishwasher, housekeeper, and laundry worker, allowed more training time than Labor suggested training time for these occupations. At 63 randomly selected SDAs, we found that over 55 percent of the lower skill OJT contracts we reviewed were for excessive lengths of time.

Our 1991 report,[4] based on work in six states and at 12 SDAs, showed that OJT contracts for excessive training for lower skill jobs continued to be a problem in the program. We reviewed 558 OJT contracts for lower skill jobs (for example, car wash attendant, hotel maid, and fast-food worker) at 11 of the 12 SDAs[5] and compared the length of training of each with Labor's suggested training times for these types of jobs. We defined lower skill jobs as those that, according to Labor, require no more than 3 months of training. About 73 percent of the 558 lower skill OJT contracts exceeded Labor's suggested training times for these positions and, on average, exceeded Labor's guidelines by 6 weeks. As shown in figure 1, the amount of excess training at the 11 SDAs ranged from an average of 2 weeks at one SDA to an average of 12 weeks at another.

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[2]Job Training Partnership Act: Participants, Services, and Outcomes (GAO/T-HRD-86-31, Sept. 29, 1988).

[3]Job Training Partnership Act: Services and Outcomes for Participants With Differing Needs (GAO/HRD-89-52, June 9, 1989).

[4]Job Training Partnership Act: Inadequate Oversight Leaves Program Vulnerable to Waste, Abuse, and Mismanagement (GAO/HRD-91-97, July 30, 1991).

[5]One SDA had no OJT contracts during the period reviewed.

Figure 1: Suggested and Contracted Training Times for Lower Skill OJT

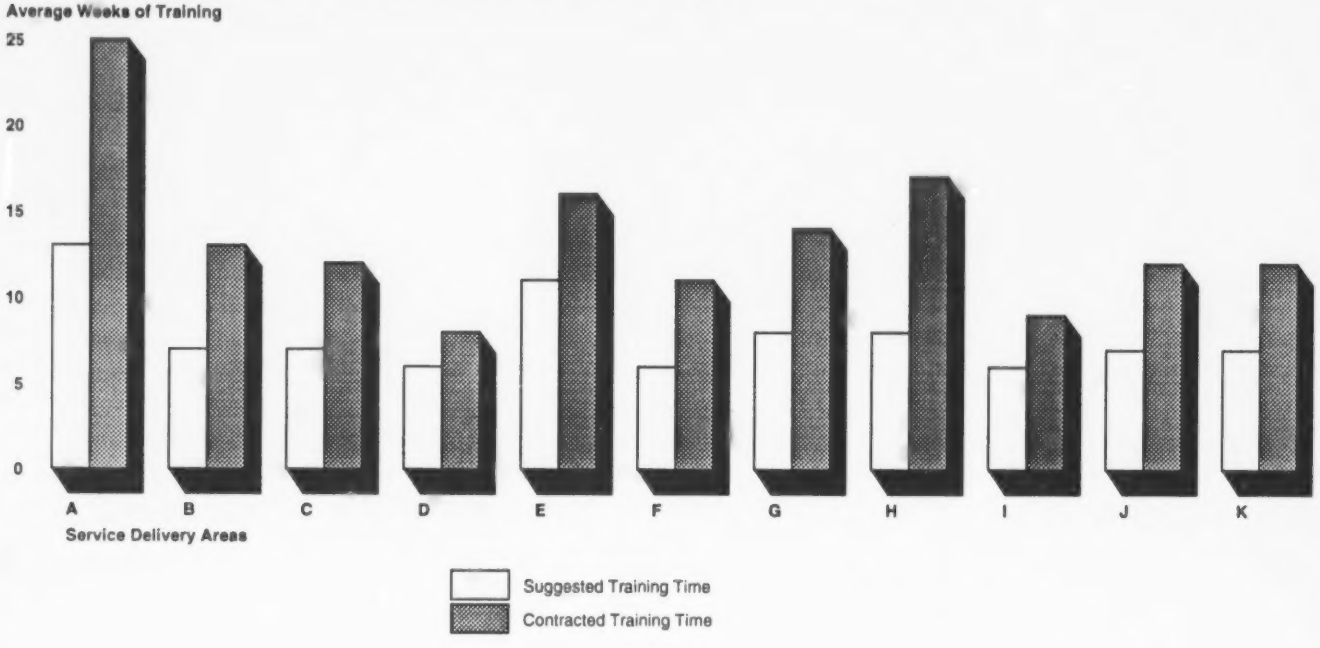

Table 1 provides some examples of excessive lengths of training, including 40 days of training for a fast-food worker, 71 days for a kitchen helper, and 129 days for a car wash attendant. The cost to JTPA for the 558 lower skill OJT contracts was about $691,000, of which about 36 percent ($251,000) was for excess training.

Table 1: Examples of Excessive OJT for Lower Skill Jobs
(Recommended training time of 30 days or less)

Occupation	Length of OJT (days)
Fast-food worker	40
Hotel maid	65
Meat wrapper	65
Kitchen helper	71
Laundry attendant	73
Rug cleaner	80
Car wash attendant	129

Note: These examples are from four of the SDAs in our 1991 study.

Other OJT Abuses

During our 1991 work, we found instances in nine SDAs where OJT contracts were used to train individuals who already had significant work experience in the jobs for which they were being trained. About a quarter of the 386 sampled individuals for whom work histories were available had at least 1 year of prior experience in the field for which they were being trained (see table 2). For example, one SDA developed a 12-month OJT contract with an employer to train as an oil burner technician a participant who already had 5 years' experience in this job. Another SDA developed a 4-month OJT contract to provide training as a delivery driver to a participant with 5 years' experience in this job.

Table 2: Examples of Significant Prior Experience in OJT Occupation

Occupation	Months of OJT training	Years of prior experience
Custodian	3	19
Draftsman	4	14
Tool/die worker	5	12
Welder	6	7
Oil burner technician	12	5
Delivery driver	4	5
Security guard	4	3

Note: These examples are from four of the SDAs in our 1991 study.

We also found instances at six of the 12 SDAs visited where OJT contracts were used to subsidize a current employee's wages and to provide training normally paid for by the employer. For example, one SDA entered into a 4-month contract with a company to train a radio and television service technician. The OJT trainee had been hired by the company 2 weeks before the OJT contract and was already being trained as a service technician when the OJT began. Another SDA developed a 6-month OJT contract with an employer to train a person who had been employed by that company for about 18 months in a similar position.

OJT Abuses an Ongoing Problem

We have noted continuing occurrences of OJT abuses over the past several years despite Labor assertions that the problem would be addressed. We first reported OJT abuses in JTPA in testimony in September 1988. The following March, in response to concerns expressed by members of the Senate Committee on

Appropriations,[6] the Secretary stated that Labor was aware of the problem and was taking measures to address the situation such as providing "...more specific guidance to the system on how OJT is to be administered." The Secretary went on to say that "...[we] will also be offering technical assistance in that respect." In addition, in written comments to our June 1989 report, the Secretary said that Labor was considering legislative and/or regulatory options to address this issue. She further noted that they ". . . expect that the types of lower skill OJT contracts identified in the GAO report as prone to excessive duration will gradually cease to exist."

We again found numerous instances of OJT contract abuses within JTPA during our work leading to our July 1991 report on federal and state program oversight and monitoring. In responding to that report, Labor stated that its legislative proposal relating to OJT and other initiatives was appropriate to limit questionable OJT practices.

JTPA AMENDMENTS ADDRESS OJT ABUSES

Both the House and Senate have passed bills to amend JTPA that would address the problems with the use of OJT contracts. The bills are now being considered by a joint conference committee. Both proposals limit the length of OJT to a period not to exceed the time generally needed to acquire the skills necessary for a position within a particular occupation, but in no instance longer than 6 months. Also, in determining the length of such training, consideration is to be given to recognized reference material, including Labor's suggested training times[7] and the participant's prior work experience. These provisions, if enacted, should help to eliminate many of the abusive practices we noted with respect to OJT contracts. However, even the best laws are subject to abusive and improper practices if adequate monitoring and oversight are not implemented--a shortcoming in JTPA we have noted in past work and one that I will discuss further.

OTHER PROGRAM MANAGEMENT PROBLEMS

Improper spending of JTPA funds on program administration has further reduced the amount available for training and placement assistance. In addition, questionable

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[6]The fiscal year appropriation for JTPA grants to the states was eventually reduced by $13 million following a Committee recommendation to ensure that inappropriate OJT wage subsidies were not paid to employers.

[7]The specific vocational preparation (training time) included in Labor's Selected Characteristics of Occupations Defined in the Dictionary of Occupational Titles.

contract administration and monitoring practices by SDAs have made contracting with training vendors vulnerable to potential waste, abuse, and mismanagement.

We reported in July 1991 that most of the SDAs we visited underreported administrative costs, thereby misrepresenting program expenditures and, in effect, circumventing the statutory limitation placed on administrative costs by JTPA.[8] If administrative expenditures had been charged properly, 7 of the 12 SDAs we reviewed would have exceeded the administrative cost limitation specified in the act by an average of 68 percent. In our 1992 report,[9] we pointed out that about 27 percent of the SDAs nationwide reported charges to the participant support cost category that appeared improper. These charges, which seemed to be administrative costs, included expenditures for staff salaries, rent, and office supplies.

Concerning JTPA contract administration, in our 1991 report we noted questionable practices at 8 of 12 SDAs reviewed. We reported instances where SDAs

- made payments to training vendors that were not in accordance with contract requirements (for example, payments were made before job retention requirements were met),
- did not comply with federal guidelines on providing partial payments to vendors (for example, substantial contract payments were made before significant services were provided),
- modified contracts to allow payment to vendors who failed to meet performance requirements (for example, contract time limits or placement wage requirements were modified to allow full payment to vendors), and
- reimbursed vendors for unsupported expenditures (for example, there was no assurance that reported costs were allowable and sufficiently documented).

LACK OF SUFFICIENT FEDERAL AND STATE JTPA OVERSIGHT

Mr. Chairman, as I previously noted, adequate program oversight is key to minimizing and detecting JTPA program waste, abuse, and mismanagement. Unfortunately, we have concluded that JTPA program oversight and monitoring at the federal and state levels is inadequate.

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[8]JTPA limits to 15 percent of available funds the amount that can be used for administration.

[9]Job Training Partnership Act: Actions Needed to Improve Participant Support Services (GAO/HRD-92-124, June 12, 1992).

State agencies, which have the primary responsibility for overseeing JTPA implementation, often failed to identify improper reporting of costs, questionable uses of on-the-job training, and inadequate procurement practices. Federal oversight also has not been directed at identifying improper practices or providing reasonable assurance that the program operates in accordance with the law, regulations, and sound management practices. Labor's oversight activities consist, generally, of broad policy guidance, limited technical assistance, and minimal scrutiny of program implementation and operation.

Our 1991 report contained recommendations for reducing the potential for program waste, abuse, and mismanagement. In commenting on this report, Labor stated that its proposed amendments to JTPA would address most of our recommendations. In addition, it said that other steps had been taken to respond to our recommendations, including conducting a programwide series of special reviews in the areas of JTPA procurement and on-the-job training, and undertaking state and SDA staff training initiatives.

These efforts are a step in the right direction for strengthening JTPA program monitoring and oversight. The pending amendments, which incorporate most of Labor's proposals, if enacted, should contribute to improved program management. However, Labor needs to oversee and monitor the program to ensure that limited JTPA funds are being used to the greatest extent possible to provide adequate training services to eligible individuals.

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Mr. Chairman, that concludes my prepared statement. I will be happy to answer any questions you or other members of the subcommittee may have.

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